

FISCAL NOTE

HB 3987 - SB 4023

March 6, 2008

SUMMARY OF BILL: Expands services and goods that can be offered or provided by automobile clubs and associations and authorizes automobile clubs to offer their services and goods to both members and non-members.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - Exceeds \$100,000
Increase State Expenditures - \$7,500/One-Time
\$116,500/Recurring

Assumptions:

- Authorizes automobile clubs to offer their services and goods to both members and non-members.
- Expands the definitions of the following services offered by automobile clubs and associations: buying and selling service, discount service, emergency road service, financial service, insurance service, legal service, map service, motor club service, and touring service.
- According to the Department of Commerce and Insurance (C&I) the bill broadens the definition of “insurance service” to include all products and services regulated by the department. Currently, insurance service is limited to policies of accident insurance covering liability or loss by a member as the result of death or personal injury or loss of or damage to the personal property of such member, or the selling of a hospital indemnity policy.
- Automobile clubs would be authorized to indemnify persons with regard to legal insurance and travel cancellation insurance.
- Under current law, automobile clubs seeking licensure to operate in this state must submit references as to the character, ability, and integrity of its organizers, managers, agents and any other person through whom the applicant proposes to issue contracts and other documents in return for membership fees. The bill only requires references of organizers, “managers and agents based in Tennessee and Tennessee residents”, and any other person whom the applicant proposes to issue contracts or other documents to Tennessee residents in return for membership fees or dues.

- According to C&I the bill would make significant changes in the way automobile clubs are currently regulated by the department.
- According to C&I automobile clubs would be authorized to offer any product regulated by the department without additional licensure or meeting any additional requirements. This would include services related to insurance, securities, real estate, contracts, and all other services regulated by the department.
- According to C&I any person currently licensed by the department could continue in their profession under a \$20 auto club agent license rather than continue to pay the higher amount under their current license. In effect, such persons could become licensed as auto club agents and continue to practice their profession. It is estimated that any increase in revenue due to the additional number of applicants seeking licensure would be offset by the number of licensees who would choose to be licensed as an auto club agent and pay a lower fee. This would result in an overall reduction in revenue to the department. Such decrease in revenue cannot be determined but can be estimated to exceed \$100,000.
- Two additional staff positions will be required to handle the changes in the regulation of auto clubs and the increase in regular monitoring by the department.
- Recurring costs for one Insurance Examiner 3 and one Clerk 3 position is estimated to be \$109,200 (salaries and benefits), office space (\$3,900), and operational expenses (\$3,400). Total recurring costs are \$116,500.
- One-time costs are estimated to be \$7,500 (\$3,500 for computers and \$4,000 for landscaping).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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